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Eighth progress report on the adoption of the International Public Sector Accounting Standards by the United Nations

Report of the Secretary-General

Summary

The adoption of International Public Sector Accounting Standards (IPSAS) for presentation of the financial statements of the United Nations commenced with resolution 60/283, in which the General Assembly approved proposals for a stronger Organization worldwide. Beginning in 2008, the Secretary-General submitted annual progress reports (A/62/806, A/64/355, A/65/308, A/66/379, A/67/344, A/68/351 and A/69/367) on IPSAS adoption to the General Assembly. The present report announces the successful implementation of IPSAS at the United Nations, provides an outlook regarding longer-term IPSAS sustainability for the Organization and reviews the progress of IPSAS implementation throughout the United Nations system during the period 1 September 2014 to 31 August 2015.

The United Nations has issued its first full set of IPSAS-compliant financial statements covering the performance of 13* reporting entities for the 2014 fiscal year. Further, the Organization is in the process of preparing its second IPSAS-compliant financial statements for peacekeeping operations for the fiscal year 2015, which is on track to be issued by 30 September 2015. This significant achievement marks the beginning of the IPSAS post-implementation phase, triggering the launch of activities to support long-term sustainability of IPSAS compliance for the Organization.

Five major work pillars of the sustainability efforts are captured in the IPSAS sustainability plan, which has been endorsed by the Management Committee; these work pillars comprise (i) the management of IPSAS benefits; (ii) the strengthening of internal controls; (iii) the management of the IPSAS regulatory framework; (iv) the management of the transition to IPSAS-compliant accounting and reporting

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through Umoja; and (v) training and skills development to support a repositioned finance function within the Organization.

At the system-wide level, all 24 United Nations system organizations have successfully migrated to IPSAS, with the World Tourism Organization and the Food and Agriculture Organization of the United Nations, along with the United Nations, having produced their first sets of IPSAS-compliant financial statements for the year 2014; all United Nations system organizations are now focused on sustainability of IPSAS compliance.

The General Assembly is requested to take note of the present report.

* The Organization produces 13 sets of financial statements: the operations of the United Nations as reported in volume I, United Nations peacekeeping operations as reported in volume II, International Trade Centre, United Nations University, United Nations Institute for Training and Research, United Nations Compensation Commission, United Nations Environment Programme, United Nations Human Settlements Programme, United Nations Office on Drugs and Crime, International Tribunal for the Former Yugoslavia, International Criminal Tribunal for Rwanda, International Residual Mechanism for Criminal Tribunals and United Nations escrow account established under the provision of Security Council resolution 1958 (2010).

I. Introduction

1. On 30 November 2005, the High-level Committee on Management of the United Nations System Chief Executives Board for Coordination recommended the adoption of International Public Sector Accounting Standards (IPSAS) to improve the quality, comparability and credibility of financial reporting across the United Nations system.

2. A jointly funded system-wide project, supported by a system-wide project team, was established in 2006 to guide a harmonized approach to IPSAS implementation across United Nations system organizations and to achieve economies in addressing common implementation issues.

3. In 2006, the General Assembly, by its resolution 60/283, approved the adoption of IPSAS by the United Nations. All 24 organizations have become IPSAS compliant, with the last three United Nations system organizations, the Food and Agriculture Organization of the United Nations (FAO), the World Tourism Organization (UNWTO) and the United Nations Secretariat, having just issued their first IPSAS-compliant financial statements for the financial year ended 31 December 2014.

4. The present report celebrates this major accomplishment for the United Nations and at the system-wide level, presents progress on IPSAS benefits realization and details the IPSAS sustainability plan with a view to ensuring longer-term sustainability of IPSAS compliance at the United Nations. Progress at the United Nations is described in section II of the present report, followed by system-wide progress in section III, and actions to be taken by the General Assembly in section IV.

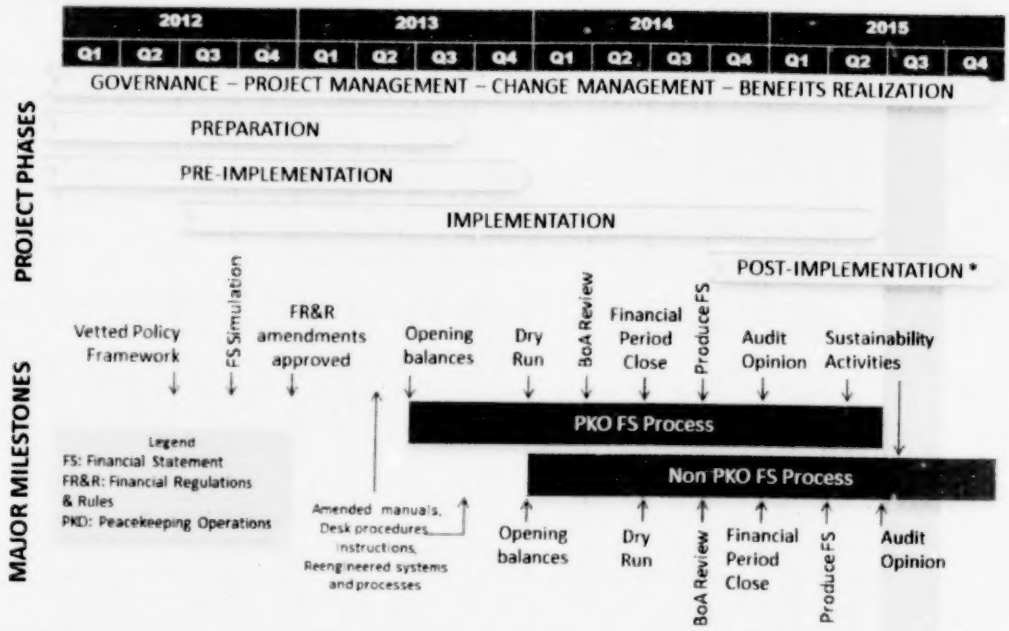
II. Implementation of the International Public Sector Accounting Standards at the United Nations

A. Overview

5. As at the end of the reporting period, the United Nations has issued its first full set of IPSAS-compliant financial statements with an unqualified audit opinion for each of the 13 financial reporting entities of the Organization. The road to IPSAS compliance was marked by the issuance of the IPSAS Policy Framework, which was endorsed by the Board of Auditors, the update of the Organization's Financial Regulations and Rules, the deployment of IPSAS computer-based training and instructor-led training and a suite of detailed guidance documents, the deployment of a new Chart of Accounts and the deployment of a transitional systems infrastructure and processes prior full deployment of Umoja.

6. As shown below in figure I, the major milestones of the IPSAS project preparation, pre-implementation and implementation phases have been accomplished:

Figure I
Project phases and major milestones



* Post-implementation activities run from 2015 to 2017.

7. As can be seen from the chart, the United Nations IPSAS project has now entered its post-implementation phase. To guide efforts in this respect, an IPSAS sustainability plan with five work pillars has been developed. Details of the plan, which was endorsed by the Management Committee, have been included in this report.

8. Alongside the implementation of IPSAS and the production of the first set of IPSAS-compliant financial statements, the Organization has also put an IPSAS benefit realization plan in place to ensure that the new information triggered by IPSAS is used to better manage the Organization. During the period covered by this report, the adoption of IPSAS has shown some further benefits, which are described in the related section of this report.

B. Governance

9. The IPSAS Steering Committee continued to exercise strong oversight of the project, focusing on managing key risks and issues for the production of IPSAS financial statements, monitoring the deployment of Umoja and the accomplishment of the major milestones during the period under review.

10. The Steering Committee manages project risks, including risks related to transitional arrangements of moving from legacy systems to Umoja as the book of record for financial accounting and reporting; endorses the sustainability strategy and plans; reviews progress and makes related decisions to keep the project and

individual sustainability work streams on track, including the management of IPSAS benefits and ensuring institutional support for IPSAS sustainability. The committee also supports effective communication across the Organization, with internal stakeholders and the Board of Auditors.

11. The project assurance role continued to provide an independent assessment of the project's health by validating information reported about the project and issuing reviews and recommendations to facilitate its successful delivery. Following the implementation of IPSAS, the project assurance role continues to make recommendations for improving the reporting of IPSAS implementation progress, as well as providing feedback on the benefits realization assessment and measurements.

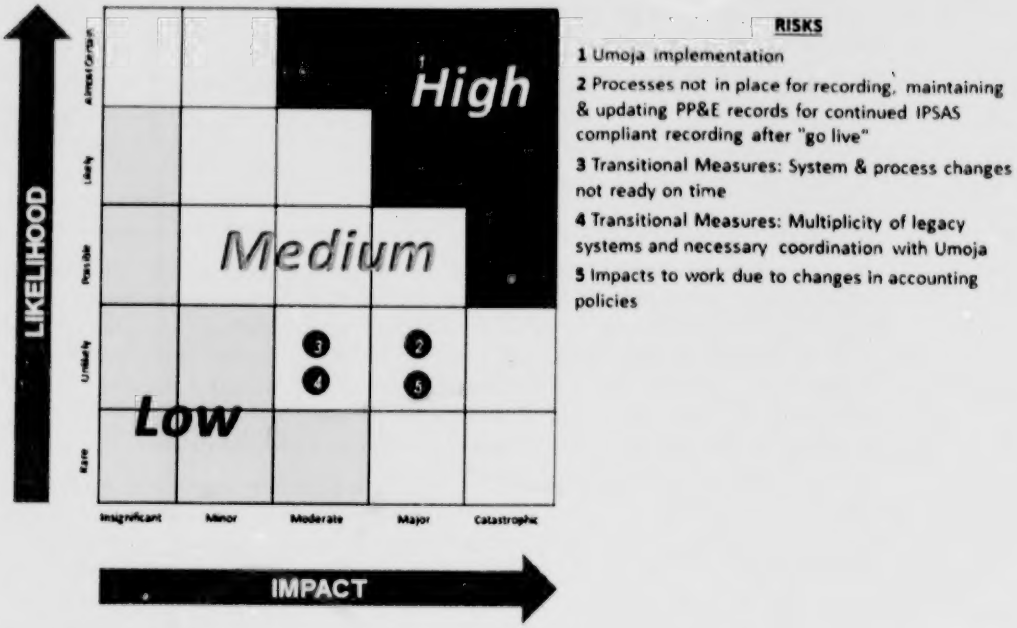
12. The Management Committee continued to provide strategic direction to the IPSAS project during the period under review and demonstrated its commitment to management reform at the United Nations by reviewing and endorsing the IPSAS benefits realization plan in the third quarter of 2014. Further, in July 2015, the Committee noted that the IPSAS implementation activities are scheduled to be completed by the end of 2015 and endorsed the deployment of the IPSAS sustainability plan as a practical strategy to sustain IPSAS compliance.

13. The Independent Audit Advisory Committee provides expert advice to assist the General Assembly in fulfilling its oversight responsibilities. With respect to the implementation of IPSAS, the Committee was routinely apprised of the progress made, including an overview of the milestones achieved during the period under review, such as the preparation of financial statements for the non-peacekeeping operations, Board of Auditors reviews, the finalization of the Benefits Realization Plan and the launching of sustainability activities. The Committee was also apprised of the challenges that the project faced, including the alignment with and potential delays in Umoja implementation. The Committee welcomed the progress that the Secretariat made in implementing IPSAS, including the resolution of the issues that had been raised by the Board of Auditors.

C. Risk management

14. Risk management by the IPSAS Steering Committee has been focused on actions needed to ensure delivery of planned milestones and to mitigate challenges associated with the delayed deployment of Umoja. The issuing of the first sets of financial statements for volumes I and II and other reporting entities of the Secretariat with unqualified audit opinions from the Board has demonstrated the Committee's effectiveness in mitigating risks. The committee employed robust mitigating plans and mechanisms to resolve these issues. Current project risks, as shown in figure II will continue to be monitored closely by the Committee with the support of the IPSAS Project Management Office. The remaining high impact risk for the project continues to be the impact of Umoja's delayed deployment exacerbated by the tight deployment schedule for cluster 4 and ongoing challenges with the new Umoja processes.

Figure II
Heat map of key risks as at 31 July 2015



Project management

15. In February 2015, the IPSAS Steering Committee, after determining that work was either complete or sufficiently progressed not to require monthly monitoring, agreed to discontinue monthly implementation progress reporting, enabling offices to better focus on the urgent financial statements preparation for non-peacekeeping operations and on Umoja-related activities.

16. The Field Monitoring Team of the Department of Field Support, located in the Regional Service Centre in Entebbe, will continue to the end of the sustainability phase to monitor sustainability deliverables of the missions and to report regularly on the status.

17. A detailed proposal on the tracking of sustainability progress and benefits realization key performance indicators has been completed and leverages the methodology and lessons learned from planning and reporting for prior phases, where high-level goals and milestones are broken into deliverables, actions and locations. It is planned that reporting information will reside in Umoja business intelligence tools to provide summary reports and dashboards.

18. Reporting on senior managers' compact indicators for IPSAS in 2014 covered the opening balances and for 2015 will include compliance with the IPSAS closing instructions, supporting preparation and audit of the IPSAS financial statements, and contributions to benefits realization and IPSAS sustainability efforts.

Transitional arrangements

19. Transitional arrangements were triggered by the February 2012 decision of the Umoja Steering Committee to invoke contingency plans to deal with the Umoja implementation delay. The transitional arrangements are based primarily on enhancements to legacy systems.

20. The transitional measures included an IPSAS parallel ledger created in IMIS to record IPSAS transactions and to function as the transitional book of record for the IPSAS financial statements; a new IPSAS journal voucher developed to post entries to the parallel ledger; new IMIS batches to record transactions following the IPSAS accrual and delivery principles; two reports retrieving records from the parallel ledger as a control measure and in order to ensure the accuracy of the data consolidation process. To support assets accounting, Galileo was enhanced to capture costs of inventory and equipment and to calculate depreciation in peacekeeping and special political missions. The strategies to accomplish the flow of transactional data between ledgers and systems, and the consolidation process were documented and shared with offices and departments through video teleconferences and during the IPSAS financial statements preparation workshops.

21. The results of the technical enhancements to the legacy systems and the added control measures were validated by the successful production of IPSAS financial statements. The second year of the IPSAS financial statements will also be produced from IMIS parallel ledger, albeit with a changed set of transitional measures. Furthermore IPSAS adoption has been secured based on a combination of systems, not fully based on Umoja as the General Assembly had originally mandated. Activities will continue until Umoja is fully deployed and the financial statement preparation module of Umoja becomes available.

D. Change management

Training and communication

22. Catering to the requirements of offices working at different phases of the implementation of IPSAS and Umoja, training and communication during the reporting period covered a broad range of needs. At the operational level, the emphasis continued on providing guidance through formal communications and instructor-led training. The computer-based training modules continued to be available for newly hired staff or those seeking to refresh their knowledge of IPSAS.

23. By 30 June 2015, approximately 11,800 certificates had been issued for completed computer-based trainings at the awareness level, while 9,900 certificates had been issued for completed computer-based trainings at the working level. Instructor-led trainings at the advanced level were delivered in several events to approximately 332 participants. The total number of trainees at awareness, working and intermediate levels exceeds the forecasted end-of-project numbers.

Figure III
IPSAS training (cumulative figures to 30 June 2015)

Awareness training	*Working-level training*	*Intermediate training*	*Advanced training*
		Approximate total certificates issued to 30 June 2015	
11,800	9,900	3,555	332
		Approximate total certificates issued to 29 August 2014	
10,048	9,124	3,355	95
		ORIGINAL TARGET BY PROJECT END	
10,000	7,500	2,900	500
Targeted to all staff	Concepts and principles of IPSAS for those staff directly impacted by IPSAS.	Targets finance and non-finance staff providing cross-functional training on topics such as internal controls over assets and data.	Targets finance staff directly involved in preparation of financial statements under IPSAS.

24. To continue strengthening the capacity of staff working on IPSAS implementation activities, several change management and training initiatives were conducted:

(a) Workshops focusing on actions to ensure accurate general ledger balances and additional tasks to ensure IPSAS compliance: in November/December 2014, staff from the Accounts Division of the Office of Programme Planning, Budget and Accounts and the Field Budget and Finance Division of the Department of Field Support deployed a workshop in New York, which was followed by a similar event in Brindisi for 15 special political missions; two events held in New York in December 2014 and January 2015 aimed at Executive Offices of the Departments in Headquarters;

(b) Advanced training on financial statements preparation aimed at senior finance officers and key finance personnel: in December 2014, a workshop held in Vienna for offices away from Headquarters, other offices and entities; a financial statement preparation workshop in May 2015 held in Brindisi for peacekeeping missions;

(c) Regularly scheduled video teleconferences for offices away from Headquarters and peacekeeping missions to support them in financial period closure activities and preparation of IPSAS financial statements;

(d) Communications in the form of instructions for year-end closure were posted in the IPSAS collaboration platform. Reference documents and events were posted on the project's website. iSeek articles informed the community and staff at large of progress towards project milestones.

E. Implementation of standards

Peacekeeping operations

25. United Nations peacekeeping operations successfully presented its first set of IPSAS-compliant financial statements for the year ended 30 June 2014. As reported in the previous IPSAS progress report (A/69/367), this was preceded by a dry-run in

order to test the comprehensiveness of processes and upgraded systems to produce financial statements and to identify and resolve any gaps. This testing and validation presented some valuable experiences and laid a solid foundation for successful preparation of the first IPSAS financial statements. It was supported by a rigorous process in order to produce the IPSAS financial statements from the IMIS parallel ledger book of record. This process included issuing comprehensive instructions and "en suite" support to the Regional Service Centre Entebbe, the United Nations Mission in Liberia, the United Nations Mission for the Referendum in Western Sahara and the United Nations Operation in Côte to clear open items, as well as implementing manual adjustments, interfaces and workarounds between Umoja and legacy systems.

26. The Board of Auditors, in its report A/69/5 (Vol. II), issued an unqualified opinion on the peacekeeping operations financial statements for year ended 30 June 2014. While recognizing the challenges in this transformational change endeavour, the Board commended the efforts of the Administration. Peacekeeping operations had addressed the Board's earlier concerns, including the resolution of high levels of open items, asset management issues and the high levels of fully depreciated assets still in use. The Office of Programme Planning, Budget and Accounts took action in conjunction with the Department of Field Support Logistics Support Division through weekly video teleconferences, the establishment of equipment and inventory situation room reporting, deployment of daily schedules for preparation of financial packages at the missions, and coordination with the Logistics Support Division and the Department of Field Support Field Budget and Finance Division for timely equipment and inventory data entry and reporting. A financial statements workshop for Chief Financial Officers took place, in addition to a real estate assets workshop led by the Field Budget and Finance Division.

27. The 2015 fiscal year is the second year of preparation of IPSAS financial statements, and a robust action plan leveraging lessons learned from the first year has been put in place, including the importance of early planning; consistent and regular housekeeping of trial balances; issuing timely, comprehensive instructions; working proactively with auditors; investing in training; knowledge sharing with other United Nations system organizations; and maintaining strong project governance. As in the previous year, this plan includes a detailed financial statements preparation timetable, issuing closing instructions and instructions on inventory and assets, system solutions to facilitate the IMIS parallel ledger as the book of record, continuing support of the missions through weekly video teleconferences and "en suite" support in the missions to clear open items and provide direct guidance on other issues.

Non-peacekeeping operations

28. The first IPSAS-compliant financial period for non-peacekeeping operations began on 1 January 2014 with the successful completion of IPSAS-compliant opening balances for each reporting entity. Extensive policies and procedures were developed, and systems adjusted to allow IPSAS balances to be gathered and presented in the financial statements as the starting position for IPSAS compliance.

29. Owing to competing priorities between the IPSAS and Umoja projects, the scope of dry-run financial statements for some reporting entities, including the operations of the United Nations as reported in volume I, was significantly reduced.

This was an acceptable risk since much of the transitional arrangements being applied were validated through the peacekeeping financial statements preparation process. In order to mitigate further risks, pro forma financial statements were prepared and shared with the Board for review during the interim audits. Improvements to the pro forma financial statements were made incorporating feedback from the Board. Additional testing was done to critical transitional arrangements that were key aspects of the non-peacekeeping financial statement preparation process.

30. Incorporating lessons learned from the dry run process, instructions for the IPSAS financial statements preparation were developed and issued in November 2014. Additionally, the instructions were supported by hands-on guidance, video teleconferences discussions and workshops in New York, Brindisi and Vienna. The arrangements described above, in conjunction with the commitment and cooperation of all stakeholders, led to the successful preparation of the first IPSAS-compliant financial statements for the non-peacekeeping operations.

31. The financial statements of the 12 United Nations non-peacekeeping reporting entities were all successfully transmitted to the Board by 31 March 2015. These financial statements each received an unqualified audit opinion; marking a significant achievement of the United Nations IPSAS implementation project.

F. Engagement with the Board of Auditors

32. In its fourth and final progress report on IPSAS implementation (A/69/155), the Board of Auditors projected that from 2015 onwards, all United Nations entities within the Board's portfolio will have implemented IPSAS. The progress being made in using new information generated by this reform will be embodied in the Board's entity-level reports. Throughout the course of IPSAS implementation, regular consultations were held to address the Board's concerns and implementation issues as discussed in section E of the present report.

33. While recognizing the challenges the United Nations faced in preparation of IPSAS-compliant financial statements, the Board commended the Organization for its efforts and highlighted the need to continually improve internal controls and processes.

34. The Administration is committed to working with the Board as a key partner in sustaining compliance with IPSAS.

G. Sustainability of IPSAS compliance

35. IPSAS implementation at the United Nations would not be complete without longer-term efforts to institutionalize IPSAS and put it on a sustainable basis. "Sustainability" in this regard is best defined by the ultimate goal to embed Organization-wide structures and processes that support ongoing IPSAS compliance and make IPSAS part of day-to-day operations.

36. Five major components have been identified as the core pillars of IPSAS sustainability, namely:

(a) IPSAS benefits management;

(b) Strengthening of internal controls organization-wide;

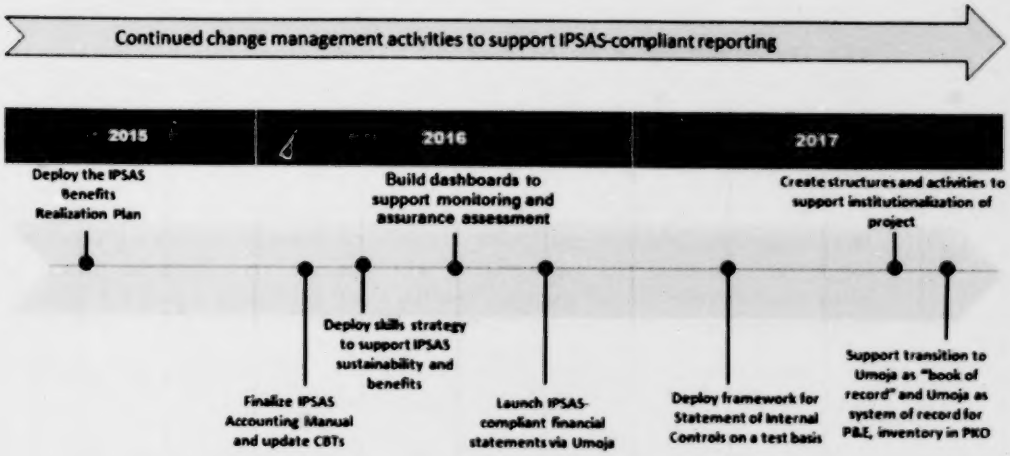
(c) Managing the IPSAS regulatory framework to implement changes in the Standards, as well as drive related changes to systems; monitoring the work of the IPSAS Board;

(d) Supporting the transition to Umoja as the system and book of record for IPSAS-compliant accounting and reporting and to automated financial statements via Umoja;

(e) Continued IPSAS training and the deployment of a skills strategy focused on developing talent for analysis of the financial information triggered by IPSAS.

37. The envisaged sustainability milestones are reflected in figure IV.

Figure IV
Milestones within the sustainability phase


Continued change management activities to support IPSAS-compliant reporting
2015
2016
2017
Deploy the IPSAS Benefits Realization Plan
Build dashboards to support monitoring and assurance assessment
Create structures and activities to support institutionalization of project
Deploy skills strategy to support IPSAS sustainability and benefits
Finalize IPSAS Accounting Manual and update CBTs
Launch IPSAS-compliant financial statements via Umoja
Deploy framework for Statement of Internal Controls on a test basis
Support transition to Umoja as "book of record" and Umoja as system of record for P&E, inventory in PKO

38. The implementation of sustainability activities will require continued Organization-wide resources for professionalization, skills development, benefits realization tracking and reporting, and strengthening internal controls. It is envisaged that three internal structures to support IPSAS sustainability are required: an organization-wide focus group on IPSAS, an assurance function within the Office of Programme Planning, Budget and Accounts and a financial analysis function within that Office.

39. As the impact of the deployment of Umoja and the operation of all financial processes within a single system are better understood, the resource requirements for managing these processes efficiently and leveraging the benefits of richer and more integrated financial information will become clearer. Such resource requirements, if needed, will therefore be presented in the context of the regular budget for 2018-2019, along with the quantitative benefits from the reduction in, or elimination of, current financial processes.

IPSAS benefits management

40. The Secretary-General, since initially proposing the adoption of IPSAS (see A/60/846/Add.3), has identified five major benefit categories, namely (a) alignment with best practices; (b) improved stewardship of assets and liabilities; (c) availability of more comprehensive information on costs; (d) improved consistency and comparability; and (e) increased transparency and accountability in which benefits are expected to materialize.

41. As a result and to guide the Organization efforts for the realization of these benefits, the Secretary-General has developed a formal IPSAS benefits realization plan that comprises 15 originally envisaged benefits to be realized across the five major strategic benefit categories. For each benefit, one or several key performance indicators have been defined to measure progress towards its realization. The General Assembly welcomed in its most recent resolution the progress made in the development of the benefits realization plan and requested to include related information in future progress reports (see GA resolution 69/262, para. 5, section I).

42. The deployment of the reporting and tracking mechanism will begin in the third quarter of 2015 for peacekeeping entities and shortly thereafter for non-peacekeeping entities. Quarterly reporting cycles are planned until the regular use of information and tracking of benefits become part of the day-to-day management of the organization.

43. While defining tracking and reporting requirements, it has also become clear that longer-term benefits, particularly related to financial decision-making and longer term financial risk management, will require several financial periods to better assess trends and subsequently use the analysis of these trends for decision-making purposes.

44. While benefits realization efforts in all benefit areas continue, actual benefits have been identified to date for the five key benefits categories:

(a) Alignment with best practices

The Organization has realized the envisaged benefit of compliance with IPSAS and thus aligned its financial reporting with international best practices. This is evidenced by having received unqualified audit opinions. In addition, a total of only four transitional provisions out of around 20 possible, as permitted for the first-time adoption of IPSAS, were applied.

(b) Improved stewardship of assets and liabilities

The Management Committee has started regular review of financial statements information and related financial indicators. As a result, it has taken the decision to keep inventory turnover as a standing item on its agenda when reviewing financial information to improve its management and turnover.

Regarding the improved management of long-outstanding contributions, IPSAS implementation has entailed a comprehensive data cleansing exercise, the review of long-outstanding voluntary contributions and their collectability and the development of a central repository of donor agreements.

Regarding funding needs for employee liabilities, in particular after-service health insurance, the financial statements now detail more clearly the significant liabilities and its changes over time. In relation to improving

property and inventory management, the Organization now has a complete asset register and has enhanced its asset verification process, significantly improving the management, accountability and control of property managed by the Organization.

The process of planning capital maintenance requirements was also enhanced due to full recognition of real estate assets based on the depreciated replacement cost using IPSAS-based information. In his report on the strategic capital review (A/69/760), the Secretary-General, using IPSAS-based information, proposed an initiative aimed at more accurately projecting maintenance requirements and to reduce overall capital requirements by employing a life-cycle approach to managing real estate.

(c) Availability of more comprehensive information on costs

IPSAS has enabled the compilation of more information on the costs of the Organization and has shown first and continued improvements to financial management, particularly related to financial statement preparation and closing processes as lessons learned are taken into account and procedures tightened so as to ensure IPSAS compliance and meeting both, reporting deadlines and quality.

(d) Improved consistency and comparability

As a result of improved consistency in applying accounting policies based on IPSAS, the first set of financial statements reveal potential initial risk areas such as after-service health insurance liabilities, inventory level and outstanding contributions. However, to substantiate and better assess likelihood and magnitude will require review of these items over a longer time period as trend analyses will be required before arriving at final conclusions.

(e) Increased transparency and accountability

Feedback received in various forums (workshops, trainings, discussions) shows that management and staff have begun to use IPSAS-based information for management purposes and there generally seems to be a better understanding of the usefulness and value of financial information, aided by the use and review of financial ratios and indicators.

At the same time, the transparency brought by IPSAS supported the General Assembly in fulfilling its governance role regarding operational management areas and accountability aspects for peacekeeping operations (see resolution 69/249 B).

A monthly accounting and reporting toolkit has been launched to enhance data integrity and data flow by offices to United Nations Headquarters for issues including bank reconciliations and open item reconciliations, after which necessary accountability actions can be determined.

45. As the process of preparing IPSAS-compliant financial statements matures Organization-wide, combined with the full deployment of Umoja, additional information about IPSAS benefits realization will appear.

Strengthening of internal controls

46. IPSAS implementation has already led to the tightening of processes and procedures, particularly related to asset management, employee benefits expenses, implementing partnerships and grants management. Sustaining IPSAS compliance requires a review to ascertain the effectiveness and comprehensiveness of the wider internal control framework.

47. The United Nations will use the internal control-integrated framework of the Committee of Sponsoring Organizations of the Treadway Commission as the basis for its approach with planned implementation in 2018. The definition of internal control based on the Committee emphasizes that internal control is not a static event but a process, effected by an entity's board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting, and compliance.

48. As a first step, the focus will be on the development of an implementation strategy for strengthening internal control areas and the introduction of a future Statement on Internal Controls with a United Nations Secretariat-wide internal approval process collaborating with business areas to produce an effective internal control framework.

49. The subsequent steps will take into consideration Umoja deployment and will include mapping existing internal control elements against components and principles of the Committee of Sponsoring Organizations of the Treadway Commission, followed by closing gaps and strengthening relevant components of the internal control framework.

50. After defining implementation steps, a brief pilot-phase with certain departments, offices or missions will commence, followed by the Organization-wide implementation that will require local support.

51. Statement on Internal Controls deployment is planned for the financial period 2017/18 for peacekeeping and financial year 2018 for non-peacekeeping operations covering all business areas of the United Nations Secretariat. The strengthening of the internal control process will be fully integrated into the existing Enterprise Risk Management framework.

Managing the IPSAS regulatory framework

52. The United Nations, as part of the United Nations system-wide Finance and Budget Network's Task Force on Accounting Standards, participated in the establishment of a platform of harmonized IPSAS policies and guidance, which was completed in 2007. This platform of accounting policies and guidance, which reflects the application of IPSAS to the context of the United Nations systems organizations, formed the foundation of each organization's IPSAS-compliant accounting policies.

53. These policies and guidance documents continue to be enhanced for further changes to standards by the IPSAS Board to ensure harmony and consistency throughout the 24 United Nations system organizations under the guidance of the Task Force on Accounting Standards.

54. Every United Nations system organization in turn develops and implements its own IPSAS policies based on this system-wide platform, adapting and fine-tuning

them to its peculiar context and environment or business model. Consultation with the Board of Auditors and other stakeholders is key to development and application of robust and pragmatic policies.

55. The United Nations Secretariat IPSAS policy regulatory framework comprises the specific policies developed for its 13 reporting entities, together with the Financial Regulations and Rules, the accounting manual, corporate guidance, Secretariat and Secretary General's bulletins, administrative instructions of the Secretariat, standard operating procedures and other related instruments; these underpin implementation of IPSAS that have replaced the United Nations System Accounting Standards for preparation and presentation of financial statements.

56. Compliance with IPSAS does not only require an up-to-date internal IPSAS policy framework, but also keeping up to date all the other related regulatory instruments and documents. IPSAS implementation impact is not confined to finance; it also has implications for other business areas, including assets and supply chain management, human resources management, administration and operations.

57. Maintaining an up-to-date and current IPSAS regulatory framework requires a dedicated process to validate all newly developed policy documents as well as to process all changes to existing regulatory and procedural documents with potential impact on the regulatory framework. This is part of the sustainability efforts for IPSAS compliance as the project progresses to institutionalisation in the operations of the Accounts Division in 2017.

Umoja processes and transition arrangements

58. Accounting standards evolve over time according to the reporting and disclosure needs of legislators, auditors, the business areas and the interests of various stakeholders in the financial management of organizations.

59. An adaptable information technology system, and the appropriate staff capacity to anticipate such changes and their implications to the information technology-based book of records is crucial to ensure the continuous recording of financial information in line with applicable standards. Staff must also have the capability to translate changes in accounting standards into adjustments to the architecture and processes of the Organization's ERP so that IPSAS compliance can be ensured at all times. Consequently, the ongoing customization and adjustment of Umoja will be another crucial enabler and pillar towards longer-term IPSAS sustainability.

60. Having an adaptable information technology-system for which sufficient staff possess the accounting and financial background, as well as technical understanding of system architecture, has been the focus during the initial design phase of the system and will continue to be an area of utmost importance.

61. A thorough configuration of Umoja processes and transition arrangements is not confined to the implementation phase alone. Even after the post-implementation phase, there is a need for system adjustments, which are to be performed on the technical side, by the post-implementation support structure of Umoja, but which will require expert business side know-how. The mapping of the finance processes in Umoja and ensuring IPSAS compliance represent the major upcoming challenges, particularly as they relate to property, plant and equipment, the accounting treatment of extrabudgetary contributions and the change of the book of records from IMIS to

Umoja. The aforementioned business requirements will continue to be supported by the IPSAS team as part of the sustainability efforts.

62. In order to sustain IPSAS compliance, the following actions will be required:

(a) Management of the Umoja-IMIS interface: until the changeover of the book of records from IMIS to Umoja has been completed;

(b) Staff trained on a continuous basis and some key staff to become Umoja certified;

(c) A mechanism to capture changes in IPSAS/business process, leading to proper adjustments in Umoja;

(d) Continuous updating of the accounting manual that blends IPSAS policies with Umoja processes and guides the user in the processing of accounting transactions within Umoja.

Training and skills development

63. In the post-implementation phase of the IPSAS project, commencing in 2015 and beyond, a series of initiatives related to skills development are being planned to support IPSAS compliance and sustainability, by professionalizing the finance role based on highly skilled financial managers who will support all business areas with more analysis and the use of IPSAS information for decision-making.

64. Each pillar of the IPSAS sustainability plan is underpinned by training and skills development to build the institutional and technical know-how to apply IPSAS and to support a sustainable financial reporting environment.

65. Two new computer-based trainings have been developed and will be launched before the end of 2015: aimed at non-finance staff, a computer-based training that will build awareness of IPSAS, helping participants to understand what IPSAS is, how it affects their daily work and why it is important to ensure IPSAS sustainability, and an awareness computer-based training on the importance of benefits realization for the United Nations and for main stakeholders, envisaged benefits and the importance of the engagement of management and staff. Additionally, the structure of the benefits realization plan, the reporting responsibilities, procedures and tracking requirements will be delivered through instruction-led training.

66. An instruction-led training on financial statement analysis and interpretation will be developed leading over into potential benefit areas and will be merged with training on tracking/reporting mechanism. Similarly, instruction-led trainings on areas such as inventories, property, plant and equipment and provisions are being updated. This material will be the basis for the delivery of regular webinars on specific topics.

67. Additionally, the accounting manual, which will serve as important material where joint IPSAS/Umoja concepts are intertwined, is being finalized.

68. In order to ensure IPSAS compliance in the shaping of Umoja processes, staff have undergone training as part of their assignment to support the Umoja project and several more staff will receive training to potentially fulfil a train-the-trainer role and institutionalize Umoja knowledge further in the Organization.

69. In addition to the initiatives already under way, and to ensure continued competent financial managers supporting all business areas, a dedicated professionalization approach will be implemented. The Organization, has dedicated time and resources for the successful implementation of IPSAS. To ensure the sustainability of this achievement, it is critical to build a finance team with the skills that will enable the Organization to maximize the use of the new information generated by the implementation of IPSAS.

70. Institutionalizing a practice of continuous learning benefits the Organization, which must ensure that current and new employees have the skills needed for today's jobs and will be flexible enough to keep up with the Organization's ever-changing skills demand.

71. The Board of Auditors has recommended that entities consider the need for a more structured and formalized approach when it comes to the skills development of the finance function, to challenge and advise the business (see A/69/155, para. 18). Other United Nations organizations have already implemented professionalization programmes in finance and in areas such as procurement, logistics and human resources, attesting to the United Nations-wide commitment to become a progressive organization.

72. Properly qualified and trained staff will have the skills to perform their functions better, leading to better quality decision-making and improved accountability of the Organization to its stakeholders as they can rely on accurate information produced by experts in accordance with international standards. Attracting and retaining such skilled professionals who value a culture of excellence and quality will also become an easier task.

73. Various qualification programmes currently exist in the market. The most suitable qualification for the Organization will be defined and a skills inventory among the finance community will be developed to identify gaps. Based on job descriptions and the grade level of the staff, target groups will be matched with the study modules of the professionalization programme and the cost of implementing it in the organization will be evaluated. Thereafter, a pilot with a limited number of participants will be introduced, following an assessment of the results and a plan for wider implementation.

74. Concerning the administration of the programme, in consultation with the Office of Human Resources Management, a framework will be developed, including the terms of the programme, the schedule of charges and the related responsibilities of the Organization and the participants, the eligibility criteria, the funding details and the circumstances in which a recovery of the cost should be pursued by the Organization.

75. Communication and training initiatives have accompanied the development of the IPSAS benefits realization plan and will continue during the sustainability phase. These initiatives include:

(a) Publication of an IPSAS benefits booklet, which will serve as a reference point for managers and staff; it will highlight the benefit categories and envisaged benefits;

(b) Publication of iSeek articles on the intranet, which will serve as constant reminders of the significant milestones during IPSAS implementation. During the

sustainability phase, iSeek articles will focus on how IPSAS affects day-to-day management and processes;

(c) Presentations at workshops and conferences that highlight the elements of IPSAS benefits realization efforts that will need to be taken into account at the managerial and operational level;

(d) Engagement at the management and working level in smaller settings to discuss benefits realization tracking and reporting, which will create the necessary understanding of actions and tasks required at various organizational levels;

(e) Member States engagement and briefings, interactions with the Board of Auditors, the Independent Audit Advisory Committee and OIOS, which will be important to support benefits realization and to communicate opportunities and challenges.

H. Project budget and expenditure

76. In its resolution 60/283, the General Assembly approved the resources for the process of implementation of IPSAS. The table below provides a summary of the initial appropriation and expenditures for the biennium 2014-2015 as at 30 June 2015, by funding source.

77. The United Nations IPSAS team is funded from a combination of four posts under the regular budget and four general temporary assistance positions under the support account for peacekeeping operations, assisted by individual contractors hired for their specialized knowledge and experience. The team's composition has evolved to align to the requirements of the post-implementation phase of the project.

78. The complex transitional systems architecture supporting IPSAS compliance and managing the transition to Umoja as the book of record, ensuring the institutionalization of the IPSAS processes, and the ongoing need to manage the IPSAS regulatory framework, strengthen internal controls and capture IPSAS benefits will continue to place heavy demands on the United Nations IPSAS team during this post-implementation phase.

79. The IPSAS implementation project indicative budget of $27 million, prior to the detailed planning of the sustainability activities, comprises $12.8 million from the support account, $10 million from the regular budget and $4.2 million from extrabudgetary resources (see A/67/564, para. 17). The expenditure to 30 June 2015 is $21.1 million, excluding $3.9 million cumulative expenditures under extrabudgetary funds. At the commencement of the post-implementation phase, the table below shows the total expenditure to date is within the indicative implementation budget of $27 million. With the sustainability activities now continuing until the end of 2017, a requirement for additional resources has been projected and an amount of $3.3 million has been approved under the 2015/2016 support account and an amount of $1.3 million has been requested under the regular budget for 2016-2017.

Project budget and expenditure for IPSAS adoption at the United Nations

(Thousands of United States dollars)

Object of expenditure	*Expenditure 2006-2013*[a]	*Initial appropriations 2014-2015*	*Expenditure 2014-2015*[a,b]	*Total 2006-2015 expenditures*
Regular budget				
Posts	3 968.7	1 236.5	870.1	4 838.8
General temporary assistance	944.2	–	–	944.2
Consultants	272.9	–	–	272.9
Travel	282.7	100.0	22.2	304.9
Contractual services	51.5	21.7	12.8	64.3
Other	101.5	23.3	6.3	107.8
Section 29B Office of Programme Planning Budget and Accounts	**5 621.5**	**1 381.5**	**911.3**	**6 532.8**
Section 32 Jointly financed activities	1 710.9	425.3	237.1	1 948.0
Subtotal	**7 332.4**	**1 806.8**	**1 148.4**	**8 480.8**
Support account for peacekeeping operations				
General temporary assistance	2 831.9	1 508.7	1 427.4	4 259.3
Consultants	5 467.4	5 657.5	1 884.2	7 351.6
Travel	396.8	462.8	635.4	1 032.2
Other	14.2	65.6	23.9	38.1
Subtotal	**8 710.3**	**7 694.5**[c]	**3 971.0**	**12 681.3**
Total	**16 042.7**	**9 501.3**	**5 119.4**[d]	**21 162.1**[c]

[a] Expenditure on a budget basis.

[b] Actual expenditures to 30 June 2015 as at 28 July 2015.

[c] Cumulative expenditure does not include $3.9 million expenditures under extrabudgetary funds incurred by regional commissions and offices away from Headquarters.

[d] Total expenditure for 2014-2015 does not include $2.1 million expenditure under extrabudgetary funds incurred by regional commissions and offices away from Headquarters as at 30 June 2015.

[e] Represents the prorated appropriation for the period 1 January 2014 to 30 June 2014, the approved allotment for the peacekeeping period 1 July 2014 to 30 June 2015 and the prorated amount for the peacekeeping period 1 July 2015 to 30 December 2015.

III. IPSAS and the United Nations system

80. Three remaining United Nations system organizations (FAO, UNWTO and the United Nations) have prepared their first set of financial statements in accordance with IPSAS for the year ended 31 December 2014; each received an unqualified audit opinion The other 21 United Nations system organizations completed their IPSAS implementation successfully in earlier periods.

81. With the addition of the latest IPSAS-compliant entities, the United Nations system continues to engage in a range of post-implementation activities that come at a cost and present challenges, but are crucial for sustaining IPSAS compliance and ensure the realization of the full planned benefits. Several benefits have accrued to

date and further benefits continue to be realized, including improvements in efficiency of processes and procedures, enhanced understanding of expenses and better financial management. Building on the opportunity for better financial management, the Transitional Task Force on Accounting Standards held a session on IPSAS training and professionalization for finance staff during its September 2014 meeting in New York. It will continue to monitor IPSAS benefits realization and leverage expertise in this area across the United Nations system.

82. The Transitional Task Force on Accounting Standards continues to be an essential platform where organizations share their challenges and concerns and leverage from other organizations' experiences and lessons learned. The Task Force, supported by the system-wide IPSAS project team, has the following four major categories of activities that it undertakes to support and sustain the organizations' IPSAS compliance.

A. Interaction with the IPSAS Board

83. Monitoring the work of the IPSAS Board and providing feedback on its documents on behalf of the Transitional Task Force on Accounting Standards is one of the key activities of the system-wide IPSAS project team. The team, guided by the Task Force, participated in all meetings of the Board and kept Task Force members updated on new pronouncements and upcoming projects. The Board's current and future projects with potential significant impact to the United Nations are those on exchange and non-exchange revenue and non-exchange expenses. The Task Force will continue to monitor Board activities and provide feedback as appropriate.

B. Accounting guidance

84. In 2014 the system-wide team provided a standard model note on accounting policies and disclosure of the United Nations Joint Staff Pension Fund, for inclusion in financial statements for the year ended 31 December 2014. In addition, the system-wide team prepared a useful checklist that was incorporated into current procedures of the United Nations system organizations to assist in ensuring the complete and accurate recording of common premises and services costs.

C. Working focus groups

85. As more organizations develop a deeper understanding of IPSAS, and the focus of the system-wide collaboration shifts to specific technical issues and the practical implications of sustaining IPSAS-compliance, the Transitional Task Force on Accounting Standards has been organizing thematic focus groups each year led by members of the Task Force. Both groups established during the previous reporting period continued to discuss issues related to financial reporting property, plant and equipment intangible assets and accounting for assets with limited supporting documentation.

D. Management of accounting diversity

86. IPSAS are principle-based pronouncements, allowing a degree of judgment and diversity in application. The application of the standards to the divergent business models of the United Nations system is likely to generate differences in accounting policies across the organizations. Differences may also arise due to divergent interpretations or lack of clarity in the standards. As divergences that are not triggered by differences in business models or circumstances could undermine comparability of United Nations system financial statements, the Transitional Task Force on Accounting Standards strives to facilitate better analysis and articulation of the accounting treatments allowed by standards to ensure alignment to the extent possible.

87. In order to minimize differences and harmonize the presentation of similar transactions to the extent feasible, the Transitional Task Force on Accounting Standards commissioned a comparative analysis of how certain transactions are presented in financial statements. The possibility of developing common terminology guidance for the statements of financial position and financial performance was discussed at the September 2014 meeting, and the suggested terminology for the statement of financial position was presented for comments in April 2015. Work on the suggested terminology for the statement of financial performance is ongoing. The system-wide IPSAS project team also updated the comparative analysis of accounting policies on assets using 21 United Nations system IPSAS-compliant financial statements and reported on the outcomes in September 2014.

E. Other matters

88. The Transitional Task Force on Accounting Standards continues to work collaboratively with the Technical Group of the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency (Technical Group) to address common and recurring financial reporting and audit issues and to foster a more productive and interactive relationship with the system-wide external auditors.

89. While the United Nations system-wide IPSAS project activities are expected to scale down post-2015, the Transitional Task Force on Accounting Standards agreed that system-wide support and coordination is essential to effectively support organizations in the post-implementation phase. Such support will include monitoring the work of the IPSAS Board, providing technical guidance and support and facilitating meetings and ongoing exchange of information to leverage experience across the United Nations system. The budget proposal for the biennium 2016-2017 for the requirements of the system-wide IPSAS project, including a reduced resource base of one P-5, supplemented by the use of consultants, was approved by the Finance and Budget Network of the High-level Committee on Management at its twenty-fourth session, held in December 2014. The arrangement will be revisited in 2016 to see if this resource could also be leveraged more by the Finance and Budget Network.

IV. Actions to be taken by the General Assembly

90. The General Assembly is requested to take note of the present report.